Navigating the CRE Market Through Seller Financing

In the rapidly changing landscape of the Commercial Real Estate (CRE) market, traditional financing methods are giving way to innovative solutions. Seller financing, with its roots in the volatile periods of the 1980s and the 2006-08 crises, has re-emerged as a more viable option in 2023. This resurgence is a direct response to macroeconomic events and the retrenchment of banks in their commercial lending.

What is Seller Financing?

Seller financing is an arrangement where the seller of a property takes on the role of a lender. Unlike traditional transactions where buyers secure a bank loan, seller financing allows payments to be made over time directly to the seller.

For sellers, this method offers the ability to expedite the sale, potentially secure a higher selling price, receive interest income over the period of the note, and stagger capital gain tax payments over an extended period.

Buyers, on the other hand, find value in a simpler qualification process and reduced closing costs. However, the process is not without risks. Sellers face the prospect of defaults, while buyers must ensure that the agreement is equitable.

The Specifics of Seller Financing in California

In California, seller financing involves two pivotal documents: the Promissory Note and the Deed of Trust.

The Promissory Note is the primary evidence of the debt. It's a written promise from the borrower to the lender, outlining details such as the principal amount, interest rate, repayment schedule, and any other terms of the loan. It is a liability for the borrower, serving as a legal commitment to pay back the debt.

Contrarily, the Deed of Trust provides security to the lender and serves as collateral. This document ensures that the lender can take action, typically by reclaiming ownership of the property, if the borrower fails to uphold the agreement. The deed of trust should be recorded at the county recorder's office at the time of sale, arranged through a title company or real estate attorney.

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Conclusion:
During this period of financial uncertainty and bank turbulence, seller financing is more than just an alternative; it's a strategic move. By offering seller financing, sellers take out the 'lending uncertainty,' ensuring a sale in a volatile market. They create ongoing cash flow in the form of loan payments and benefit from deferred or staggered capital gain tax liabilities.

Seller financing is a versatile tool that, when used judiciously, can mutually benefit both parties in a sale. It serves as a beacon of opportunity in the complex and unpredictable terrain of today's CRE market, offering a path to success for those willing to embrace this innovative approach. In the era where financial agility is paramount, seller financing stands as a testament to the creativity and resilience of the real estate industry.

What do I do?
I specialize in helping investment property owners increase their asset value, make profitable investments, and attain their real estate objectives. I have extensive experience brokering commercial and investment property sales and leases in the San Francisco bay area. I am inquisitive, analytical and strategic, I enjoy learning about your CRE goals, and helping you develop and implement your strategic plan. My clients enjoy working with me because I am competent and realistic; and I communicate frequently and openly.

Testimonial
"Ces Cecchin quickly and efficiently brought our property to market, making the sale process look simple and fast! The experience was easy for us. I highly recommend Ces. You can trust him to get your sale done!" ***— Katherine L., Office property owner/partner, Kentfield, CA***

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